

Fiscal Note

State of Alaska
2015 Legislative Session

Bill Version:	SB 100
Fiscal Note Number:	1
(S) Publish Date:	4/7/2015

Identifier: 0832-DOR-TAX-4-1-15
 Title: NORTH SLOPE GAS PROJ PROP
 TAX;ASSESSMENT
 Sponsor: RLS BY REQUEST OF THE GOVERNOR
 Requester: Governor

Department: Department of Revenue
 Appropriation: Taxation and Treasury
 Allocation: Tax Division
 OMB Component Number: 2476

Expenditures/Revenues

Note: Amounts do not include inflation unless otherwise noted below. (Thousands of Dollars)

	FY2016 Appropriation Requested	Included in Governor's FY2016 Request	Out-Year Cost Estimates				
	FY 2016	FY 2016	FY 2017	FY 2018	FY 2019	FY 2020	FY 2021
OPERATING EXPENDITURES							
Personal Services							
Travel							
Services							
Commodities							
Capital Outlay							
Grants & Benefits							
Miscellaneous							
Total Operating	0.0	0.0	0.0	0.0	0.0	0.0	0.0

Fund Source (Operating Only)

None							
Total	0.0	0.0	0.0	0.0	0.0	0.0	0.0

Positions

Full-time							
Part-time							
Temporary							

Change in Revenues

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Estimated SUPPLEMENTAL (FY2015) cost: 0.0 *(separate supplemental appropriation required)*
(discuss reasons and fund source(s) in analysis section)

Estimated CAPITAL (FY2016) cost: 0.0 *(separate capital appropriation required)*
(discuss reasons and fund source(s) in analysis section)

ASSOCIATED REGULATIONS

Does the bill direct, or will the bill result in, regulation changes adopted by your agency? no
 If yes, by what date are the regulations to be adopted, amended or repealed? n/a

Why this fiscal note differs from previous version:

Prepared By:	Jerry Burnett, Deputy Commissioner	Phone:	(907)465-3669
Division:	Commissioner's Office	Date:	04/06/2015 12:00 AM
Approved By:	Randall Hoffbeck, Commissioner	Date:	04/06/15
Agency:	Commissioner's Office		

FISCAL NOTE ANALYSIS

STATE OF ALASKA
2015 LEGISLATIVE SESSION

Analysis

Bill provides a framework for determining the taxable value of a North Slope natural gas project measured against the three criteria of clarity, robustness/durability, and lack of ambiguity. The following parameters were considered to meet these criteria, in the context of an LNG export project:

Original cost
Inflation
Design throughput
Actual throughput
Depreciation
Tax (Mill) rate

By combining these features, an output similar to what would have been derived under AS 43.56 is achieved without the incumbent uncertainties in interpretation, especially around Replacement Cost New (RCN), Obsolescence, and/or measuring sales or revenue.

The proposed basic construct of the formula is as follows:

Original cost x Inflation x Depreciation x (Actual throughput/Design throughput) x Mill rate

The fiscal impact of this bill is zero during the period covered by the fiscal note.

Upon completion of a North Slope natural gas project, the property tax revenues will be dependent on the inputs to the formula above. At this point the revenues are indeterminate.